



Access World News

## **CHEMETCO TRANSFER OF MILLIONS RUNS INTO CHALLENGE - BANKRUPTCY TRUSTEE SAYS PAYMENTS TO "INSIDERS" SHORTED OTHER CREDITORS**

**St. Louis Post-Dispatch (MO)** - Wednesday, May 26, 2004

**Author:** *Michael Shaw Of The Post-Dispatch*

Chemetco Inc., a large smelting company near Hartford, transferred more than \$30 million to companies owned or controlled by its own officers before it declared bankruptcy in 2001.

The trustee overseeing the bankruptcy case claims those payments were made to "insiders" -- company officers and their family members -- and were either preferential or fraudulent because they took money out of the bankruptcy estate and shorted the company's other creditors.

The owner of the now-dormant company, John Suarez, said in an interview last week that all of the payments were legitimate and that the company never transferred wealth away from Chemetco or hoarded money.

Company officers didn't decide to declare bankruptcy until a month before Chemetco shut down in November 2001, Suarez said.

He added that he's looking forward to setting the record straight.

"I didn't do everything right, but I never did anything to harm the creditors," said Suarez, 60, who is originally from Fairmont City and now lives in Ladue.

Payments being questioned also went to Suarez himself and other officers, and covered wages, benefits or renovations at Suarez's two restaurants, according to court filings by Laura Grandy, the trustee. Grandy, a bankruptcy lawyer from Belleville, claims that money belongs to Chemetco's creditors.

Suarez said the \$650,000 in personal payments to him were likely for expense accounts, as were payments to his family members, including grown children, his wife and one of his cousins, who worked at Chemetco.

The dispute is set for a hearing in November, three years after the company declared bankruptcy. Since Chemetco closed, state officials have been working to clean the site. They say there is not enough money left to resolve all of the remaining environmental issues, so they are hoping that Suarez and others have to repay some of the money.

Chemetco earned a reputation as an environmental rogue after the company deliberately dumped industrial waste into a nearby lake through a secret pipe. The pipe was authorized in 1986 by a former owner who is still considered a fugitive from justice.

After working there for several years, Suarez bought the plant in 1993. He was not charged in the environmental case. The company was fined \$3.8 million in 2000 and paid about \$900,000 before it shut its doors.

Last November, Grandy began attempts to get repayment from 250 companies or individuals who received payments from Chemetco, in some cases going back as far as four years. About 30 of those involve allegations of some sort of "insider" status. She could not be reached for comment.

Suarez's lawyer, Steve Mottaz of Belleville, said the claims were filed just as a two-year statute of limitations was running out. He said it isn't unusual for a bankruptcy trustee to file such claims against a large company.

"The word 'fraudulent' implies they did something wrong," he said. "But all it means under the bankruptcy act is you've got to repay the money. This is a civil case, not a criminal case."

Some of the largest payment totals were made to companies owned by Chemetco itself, or Suarez. They

include \$11 million to a Mexican metal scrap company and \$7.4 million to a trucking company owned by Suarez that is still operating.

"There are tickets and receipts for every pound of scrap that was shipped," Suarez said. He considers himself now largely retired, although he still owns Koke's restaurant in Fairmont City and the Lynch Street Bistro in St. Louis.

Suarez said it was his policy to set up satellite companies that would insulate the main company from liability, and that's why payments often went through those companies.

"I was shocked," he said of the allegations against him, other Chemetco officers and his family. "I don't like it when my family gets attacked."

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## **Bankrupt smelter's execs settle case for \$3.1 million Documents say there was no finding of fraud in Chemetco case.**

**St. Louis Post-Dispatch (MO)** - Saturday, July 2, 2005

**Author:** MICHAEL SHAW Of the Post-Dispatch

The president of bankrupt Chemetco Inc., his relatives and associates, as well as several companies controlled by them, agreed Friday to a \$3.1 million settlement with a bankruptcy trustee who'd accused them of looting the company before it sought bankruptcy in 2001.

Laura Grandy, who oversaw Chemetco's four-year bankruptcy proceeding, last year sued President John Suarez as well as dozens of others she claimed were "insiders," accusing them of draining off \$30 million.

But settlement documents filed on Friday in Bankruptcy Court in East St. Louis say that there was no finding of "fraud or breach of fiduciary duty," by Suarez and others.

The settlement includes 26 companies and individuals besides Suarez, ranging from his children, to his Soulard restaurant, the Lynch Street Bistro, to his industrial firms. Suarez, of Ladue, had been individually accused of taking \$650,000 from the company, which he claimed as expenses.

In the settlement, Suarez and 12 others have collectively agreed to pay the \$650,000 to the bankruptcy case. He couldn't be reached for comment.

The \$3.1 million total will be divided up among the company's creditors.

Grandy said that when she filed suit last year, she didn't have access to all the documentation concerning payments between Chemetco and Suarez's other companies or those with close ties to him. The \$30 million figure arose by looking at four years of payments to those firms and individuals.

Chemetco was a large smelting company near Hartford. It had been the focus of numerous environmental complaints before shutting down four years ago.

Before Suarez bought it in 1993, an owner ordered the deliberate pumping of industrial waste into a nearby lake through a secret pipeline. That owner was charged criminally, but hasn't been taken into custody.

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